

**REPORT  
 HIGHLIGHTS**  
 FINANCIAL STATEMENT AUDIT

**Subject**

Maricopa County Medical Center is a 639-bed, full-service hospital. Its other medical facilities include the Arizona Burn Center, the Phoenix Cancer Center, the Behavioral Health Center, the Comprehensive Healthcare Center, the McDowell Healthcare Center, and ten Family Health Centers.

The Medical Center is responsible for preparing and issuing financial statements annually, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, we determine whether the Medical Center has met its responsibilities.

**Our Conclusion**

The information in the financial statements is fairly stated in all material respects, and the financial statements can be relied on.



**2004**

Year Ended June 30, 2004

## Special Health Care District To Take Over Medical Center's Operations

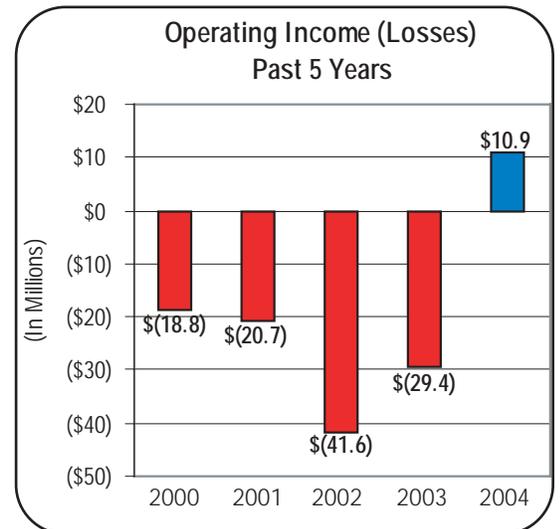
During the November 2003 election, voters approved the creation of a tax-levying health care district to operate the Maricopa Integrated Health System (MIHS), which includes the Medical Center. The voters established an independent health care district governing board in the November 2004 election, and the County transferred

its ultimate fiscal responsibility for the Medical Center to the new health care board on January 1, 2005. An intergovernmental agreement specifying the transfer of all assets and liabilities was signed by both parties on November 1, 2004. Accordingly, the Medical Center became part of the health care district as of January 1, 2005.

## Medical Center Reported Operating Income

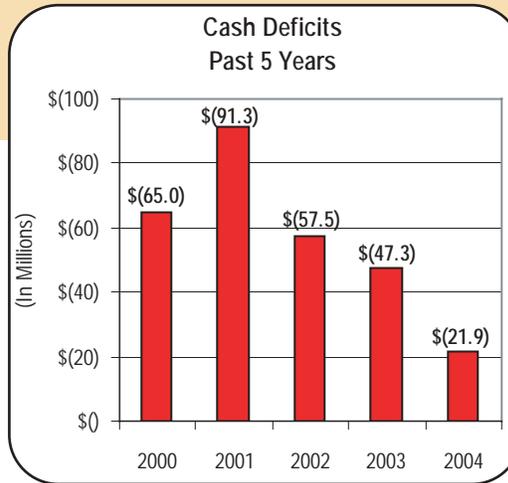
The Medical Center has experienced operating losses over the past decade; however, it reported operating income in fiscal year 2004. The fiscal year 2004 operating income of \$10.9 million is an increase of \$40.3 million from the prior year's operating loss of \$29.4 million.

The increase of \$40.3 million from last year resulted primarily from approximately an 8 percent patient population growth and a 10 percent rate increase for patient service charges. In addition, the Medical Center received approximately \$12.7 million in prior years' patient receivables from the Maricopa County Health Plans and \$4.6 million from the County Correctional Health Department that were previously written off as bad debt expenses contributing to prior years' operating losses.



## Medical Center Continues Operating with Cash Deficit

Although the Medical Center improved its operating income from the prior year, it continues operating with a cash deficit. However, the Medical Center reduced its cash deficit at June 30, 2004, by \$25.4 million from the prior year. For financial statement presentation, this cash deficit is displayed as amounts due to other county funds to represent a temporary loan from the County General Fund.



### TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling  
**(602) 553-0333**



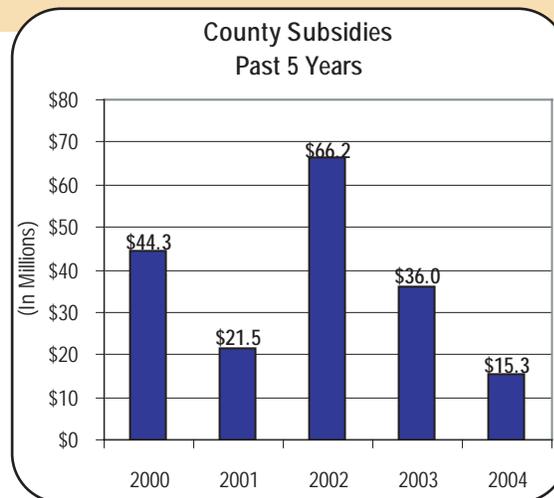
or by visiting our Web site at:  
[www.auditorgen.state.az.us](http://www.auditorgen.state.az.us)

Contact person for this report:  
Rita Seto

## Medical Center Received Less in Subsidies from the County

The County has subsidized the Medical Center since fiscal year 1994. During fiscal year 2004, the County reduced its subsidies for the Medical Center by \$20.7 million from the prior year. For the year ended June 30, 2004, the County transferred the following subsidies to the Medical Center:

- \$11.8 million for general operations.
- \$3.5 million for the teaching program.



## Medical Center Settled Unpaid Receivables with the Maricopa County Health Plans

In September 2004, the Medical Center agreed to a \$42.5 million payment from the Maricopa County Health Plans for its June 30, 2004, inpatient and outpatient accounts receivable (net of contractual allowances). For financial statement presentation, only \$34.9 million of this amount was presented as a receivable because the Health Plans overpaid \$7.6 million to the Medical Center prior to June 30, 2004. In November 2004, the Medical

Center also agreed to \$10.2 million and \$1.3 million in payments from the Health Plans for its June 30, 2004, attendant care and Arizona Integrated Pharmacy receivables (net of contractual allowances), respectively. These settlements occurred because the Health Plans encountered problems with their claims processing system and were not able to pay the Medical Center in a timely manner.

### REPORT HIGHLIGHTS FINANCIAL STATEMENT AUDIT

Year Ended June 30, 2004